RISE | Retrofit information, support & expertise

Costing retrofit projects

Supply chain advice pack

January, 2026

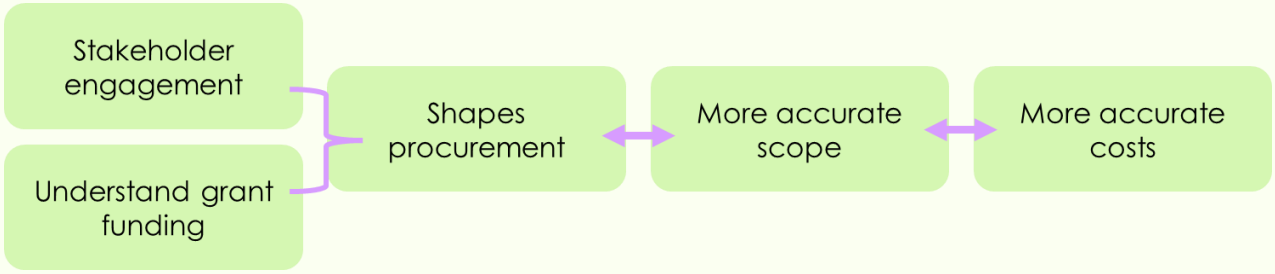
Funded by:

Department for Energy Security & Net Zero

www.riseretrofit.org.uk

Introduction

Homes have become the second highest emitting sector in the UK[1] and the cost of decarbonising them is substantial: "The CCC estimates that an investment of about £250 billion will be needed to fully decarbonise homes by 2050, the equivalent of about £9 billion each year from the late 2020s to 2050" (House of Commons, 2022)[2]. This pack is designed as an introduction to retrofit costs for delivery contractors on Govt. grant funded schemes, particularly the Warm Homes Wave 3. This wave runs from 2025 to 2028 and is funding £1.29 billion[3] of social housing retrofit and £500 million[4] of private sector housing retrofit.



1) Stakeholder engagement

To gather the technical information, you need as a contractor to determine if a project is the right fit for you can require stakeholder engagement. You can rely on your own research if you prefer but working with industry SMEs may give industry useful insights to help you. For example, this may involve:

- **Procurement teams/roles:** working with your team to understand what opportunities such as bids and frameworks are of a priority for you.
- **Technical roles:** involving any surveyors or cost managers early doors can help you keep the project tailored throughout.
- **Planning teams:** for consent information, this is a two-way process where you should details of the homes and the areas being considered for retrofit
- **Resident engagement teams:** for engagement insights to understand which residents and properties are at the lowest risk of dropping out.
- **Ecological surveyors:** may be able to give insights on areas and costs
- **Senior leadership insights:** any upcoming wider political change that may impact the project.
- **Previous project delivery roles:** lessons learnt on similar projects can be used to improve future delivery.

[1] "Progress in reducing emissions", Climate Change Committee, 2025
[2] "Decarbonising heat in homes", House of Commons, 2022
[3] "Warm Homes: Social Housing Fund Wave 3: budget allocation", DESNZ, 2024
[4] "Warm Homes: Local Grant - budget allocation, DESNZ, 2024

2) Understanding Warm Homes grant funding

Categorising works for grant funding

- In grant funded schemes there is typically a 15% cap on admin and ancillary (A&A) spend, as is the case with Warm Homes. Items can be categorised as A&A or capital.
- This means you will need to plan and track the proportion or A&A costs versus capital measure costs.
- As a contractor you will need to fully understand this aspect of the grant funding to price the works.

Examples of capital expenditure

Please note SAP eligible measures may be subject to change and are outside the control of the Department. **Please note this is not an exhaustive list:**	
Insulation • Loft insulation: • *Loft hatch* • *Raised boarding* • Cavity wall insulation • Underfloor insulation • External wall insulation	Required to complete capital works (prelims - overheads for SHF site specific costs only) • Costs for scaffolding • Materials and transportation • PAS2035 on-site costs such as airtightness tests, ventilation updates, SAP measurements

Example of admin and ancillary

Pre-installation surveys (to be claimed only if they are required for the purposes of retrofit works). **Please note this is not an exhaustive list**:	
• Ventilation Survey • Technical Survey • Radon survey • Ecological Bat survey	• Asbestos surveys • Retrofit assessment / condition survey • Elevation Surveys – Geospatial Services • Building surveying services and quantity surveying services

Cost caps

In grant funded schemes there are cost caps and in Warm Homes this varies per scheme. You should always refer to the guidance (linked below).

Social housing fund

WH:SHF **guidance**:

"There is a new base cost cap for measures which is consistent across all homes and does not vary by starting EPC band or wall type as it did in Wave 2. The Wave 3 cost cap is £7,500 of grant funding per home. This cap can be averaged across homes in an application (including across different consortium members). There is an additional £7,500 of grant funding available if the Grant Recipient installs low carbon heating measures in homes off the gas grid. This cost cap is known as the off-gas grid low carbon heating cost cap uplift."

Local grant

WH: LG **guidance**:

Warm Homes: Local Grant will have twin cost caps – one for energy performance upgrades and one for low carbon heating. Cost caps represent the amount that can be spent on average per home (more than one measure can be installed within a cost cap). Projects must meet these cost caps on average by project closure.

Energy performance cost cap	Low carbon heat cost cap
£15,000	**£15,000**

The energy performance cost cap can be spent on any energy performance measure that is not categorised as low carbon heat, including fabric measures (such as insulation, draughtproofing, double glazing, and energy efficient doors) and smart measures (such as solar PV, smart controls, and PV batteries).

The separate low carbon heat cost cap can be used for clean heat measures such as heat pumps or high heat retention storage heaters. It is expected that this distinct pot of funding for clean heat will incentivise and maximise heat pump deployment under the scheme, particularly in off gas grid homes where they can deliver significant energy bill savings for the occupants.

LAs must meet these cost caps on average across their project, by project closure.

Working with your client on the scope

This section explores score, nature or work and example risk areas.

The scope
• How many homes are in the project? • What are the homes like? (construction, EPC, location etc) • What construction skills will you need to deliver this? • How long is the project? • What depth of retrofit is required? • Which compliance standards apply? • What is the data analysis approach? • What is the intended target outcome: e.g. EPC rating, kWh/m2, bill savings or fuel poverty reductions? • Which measures apply? • Will you or the client or a third party do the resident engagement? • What level of resident engagement? • What level of monitoring and evaluation? • What is the budget for capital measures, admin and contingency?

Overall topics in retrofit to consider
• Data analysis • Resident engagement • Marketing • Installations (pre-install surveys and monitoring and evaluation • SMEs for planning, ecological and heritage • Maintenance and warranties • DNO connections • Smart Export Guarantee policies

What the scope may be influenced by
• Compliance with legislation such as PAS 2035:2025, Awaab's Law, CDM regulations 2015 or EPC legislation • Grant rules: such as cost caps or capital vs admin proportion limits • Skills and contractors available • Market rates • Supply chain availability for certain measures • Consumer preferences VAT and tax policies

Nature of works needed

Factors influencing costs

Theme	Considerations
Resident engagement	• Access refusals can cause delays or mean not being able to lodge the works to claim grant funding. This may be due to sickness, misunderstandings or personal decisions.
Unexpected enabling works	• Asbestos works, damp and mould remediations or structural works (e.g to roofs for solar) can be costly. • DNO connections could involve paying for extra grid capacity or infrastructure changes.
CDM 205 compliance	• A Principal Contractor will need to provide site welfare facilities such as toilets, hand-washing facilities and drinking water. Read the CDM regulations here.
Location	• Rural locations may cost more in travel for transporting the materials and having staff covering the area. • Rural areas may be more likely to have protected wildlife which could impact costs. • Overnight accommodation may make most logistical sense.
Weather	• Weather warnings can mean it is unsafe to work and you may have to delay work which can then impact your programme.
Heritage, listed or areas of outstanding natural beauty	• Planning applications could add costs and time to the project. • You may have to use certain local materials to be in-keeping with surroundings.

Risk review

Two of the main challenges in a retrofit project are:

1. Working with estimates until you have the exact costs and costly updating costs. Or working to fixed prices from a framework award.
- Risks and contingencies: a lot of unknown elements can crop up which require recalculation.

Costs that can be overlooked or underestimated in retrofit

Cost	Considerations
Meetings	• It is worth checking with your client how often they want to meet and having this described in a Service Level Agreement (SLA) and costed so that any change can be formally reviewed.
Reporting	• Check with your client what the reporting requirements are and how long they will take. For example, if there is a weekly, monthly and quarterly report and each one take a few hours this could add up and you will want to make sure you have staff to complete this.
Room for error, return or remediation	• Forgetting a measurement, leaving a tool or having to go back to explain something to a tenant can all add costs on t the project yet can be quite likely occurrences. It is worth adding some budget for errors.
Resident engagement	• Retrofit is a muti-million-pound industry and a council can secure millions in grant funding but if a resident drops out this can put the project at risk with costs and delays. This area should not be underestimated; it should be planned carefully.
Data analysis	• Having poor data at the start can be costly throughout the project.
Marketing	• Paying for social media promotion or printed materials can save you staff time later in the project.

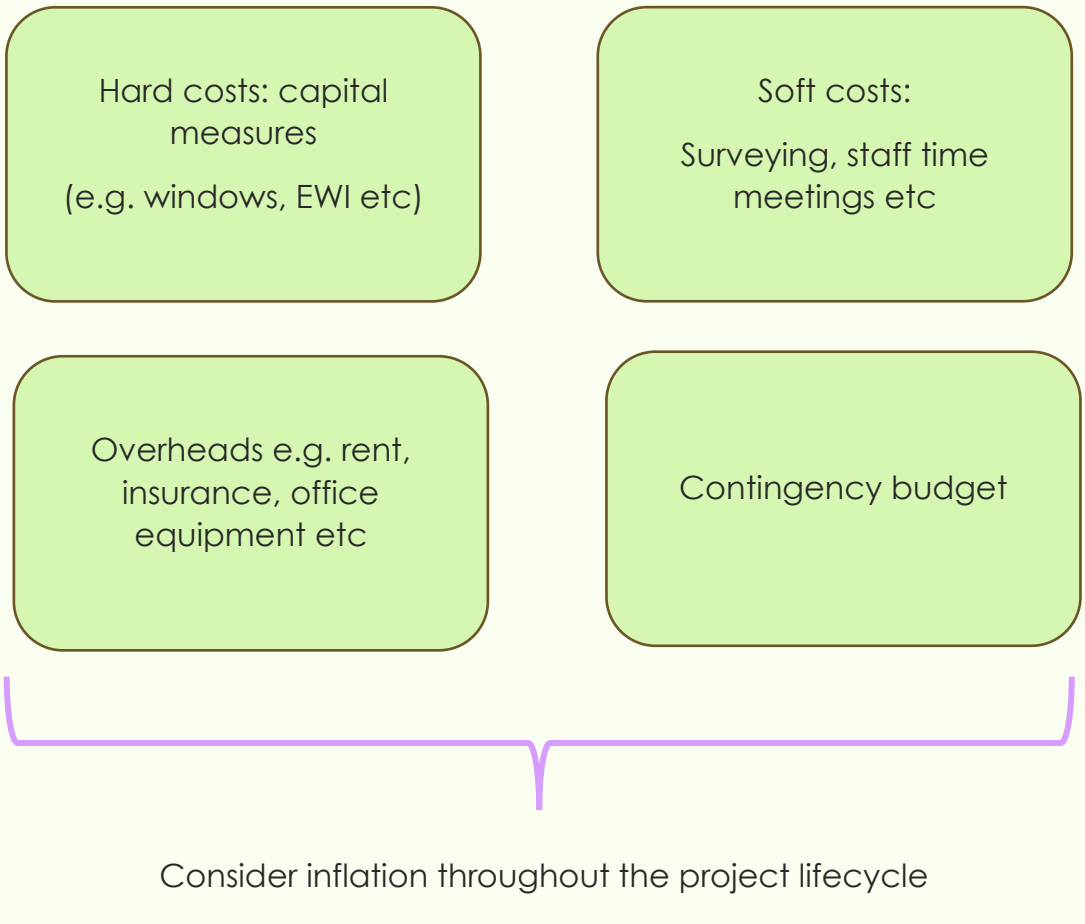
Example risks

Risk	Impact	Mitigation
Inflation of materials or labour	• Not being able to afford the works. • Reducing scope of the project.	• Inflation indexes can be used in contracts so in the even to price increase it may be in line with the CPI rate. • Contingency funding is recommended.
Unexpected enabling works e.g. roof repairs	• This risks having to find replacement homes or pay for costly repairs. Both can cost time and money.	• Screening homes and as much property condition information as you can get

		before counting them in the project.
DNO	• Having to increase grid capacity or move connections costing time and money.	• Early engagement with your network operator to avoid surprises.
Aborted properties	• Wasted lead in time and having to find replacement homes.	• Strong data analysis and pre-screening on which homes to include. • Strong resident engagement to avoid drop-outs.
Fraud	• Loss of money and the intended homes and tenants not achieving the intended benefits.	• A fraud management plan, a fraud risk register, training, whistle blowing and designated contacts can help.

Collate costs and budgets

Overall, the costs may fall into four broad categories:



There are several methods to do this:

- **Create a cost breakdown structure (CBS):** this involves categoristing work into worksteams and work packages. You can then separate out the costs. *Figure 1 shows* how this could be approcahed for a general programme and figure 2 shows how you could approach this for retrofit programmes.
- **Benchmarking:** use any previous project to give estimates
- **Average cost per home:** calcultating an average cost per home can be risky due to how much each home varies.
- **Average cost per archetype:** you could calcualte an average cost per archetype (figure 3) and plan the project this way, this could give a more reflective cost for that style and constuction of home.
- **Average cost per m2:** this is a common approach in construction projects.

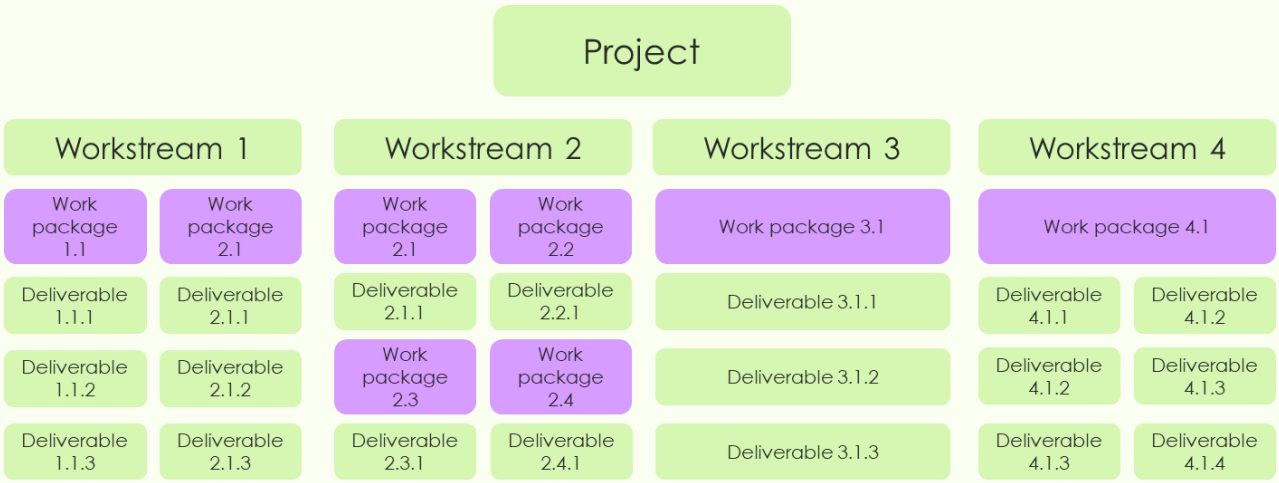


Figure 1: General programme cost breaking approach

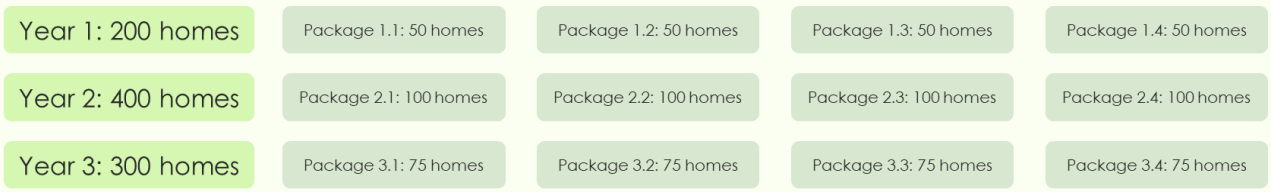


Figure 2: retrofit programme cost breaking approach

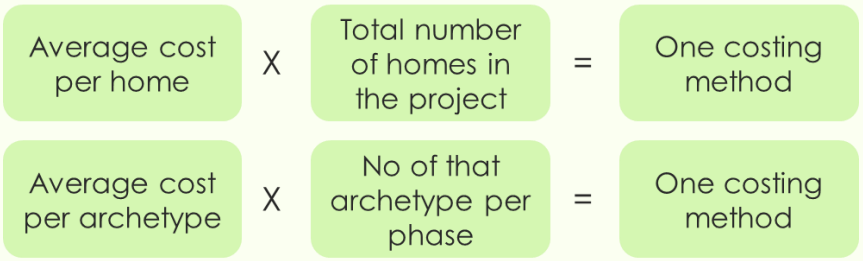


Figure 3: average or archetype example approach

Summary

Costing a retrofit project is tricky because costs are likely to change after estimation stages. Below are some considerations to help you cost a project:

- Engaging early can help your plan which type of retrofit projects are right for you.
- Understanding which skills you need e.g. PAS 2035, MCS, CDM 2015, asbestos awareness, working from height skills, heritage skills.
- Work with your client to fully understand the scope.
- Check in the procurement and contract management stage the scope is right for you so there are no unexpected costs later on.
- Understand any VAT aspects.
- Understand and plan for inflation e.g. around measures or employee salaries.
- Use industry benchmarking where possible.
- Consider if per price home, per archetype or per m2 is right for you.
- Plan contingency budget.

Resources

Podcast: All RISE podcasts are available here.

PAS podcast: "Decarbonising retrofit buildings with data" available here.

Masterclass: All RISE masterclasses are available here.

PAS masterclass "Building up your Project Costings" available here.

Advice pack: All RISE advice packs available here.

PAS advice pack: "Procuring for retrofit: Cost and commercials" available here.

This pack aims to share insights, good practices, and lessons learned from the sector. It is intended for informational purposes only and does not constitute as recommendations or endorsements of specific suppliers, products, or services or as legal advice. Please always check the latest regulations.

www.riseretrofit.org.uk

RISE – Retrofit information, support & expertise